

## Issue Brief – Medicaid Inflation

DEPARTMENT OF HEALTH

DOH-09-14

### SUMMARY

Federal regulations require that Medicaid services that are offered be accessible by recipients. In order to ensure that services are available and accessible, the reimbursement rates paid to core Medicaid providers must be sufficiently high to make them partners in the program and to enable them to cover their increased costs. Over the past few years because of the budget constraints, reimbursement rates, for most categories of providers have not been increased, while a few others have increased through additional state appropriations. Medicaid inflation affects Medicaid provider rates. The Executive Appropriations Committee included 50% of the Department's request in the base budget at a cost of \$8,609,200 ongoing General Fund (\$26,298,400 Total Funds), which would provide an average provider rate increase of 2.5%. In order to fund the Department's request for a 5% provider rate increase, an additional appropriation of \$8,609,200 ongoing General Fund (\$26,298,400 Total Funds) would need to be made.

Medicaid is the nation's public health insurance program for low-income people. It was initially created to provide medical assistance to individuals and families receiving cash welfare. Over the years, Congress has incrementally expanded the scope of the program. Today, Medicaid is no longer a welfare program; rather, it is a health and long-term program for a broader population of low-income individuals.

### OBJECTIVE

The objective of this funding item is to comply with federal mandates and to assure access to core medical services by Medicaid clients.

### DISCUSSION AND ANALYSIS

Medicaid inflation adjustments impact provider rates. These are sometimes discussed separately, but the fiscal impact to both the provider and the client are the same. When the rates are too low, the state experiences a challenge with access issues for Medicaid clients. Many medical and dental providers do not take "Medicaid" patients because of the low reimbursement level. Increasing the General Fund also increases the matching Federal Funds. Medical inflation is usually twice the average consumer inflation rate. The Medicaid program requires some inflation rate adjustments to maintain services at the current level. The recommended adjustments for the inflation rate are not the same for all groups.

The Executive Appropriations Committee included \$8,609,200 ongoing General Fund (\$26,298,400 Total Funds) in the base budget to fund a 2.5% provider rate increase for FY 2009, as detailed in the table to the right. In order to fund the Department's request for a 5% provider rate increase, an additional appropriation of \$8,609,200 ongoing General Fund (\$26,298,400 Total Funds) would need to be made.

<b>Percentage Increases for Medicaid Provider Reimbursement for FY 2009</b>	
<b>Base Budget Funding (Total Funds)</b>	<b>\$26,298,400</b>
<b>Provider Increases</b>	
Community ICFMR	1.7%
Intermediate Care Facility-1 (NF-2)	1.7%
Intermediate Care Facility-2 (NF-3)	1.7%
Skilled Nursing Facility-1 (SUPER SNF)	1.7%
Skilled Nursing Facility-2 (NF-1)	1.7%
Flex Care	1.7%
Inpatient Hospital	2.7%
Inpatient Hospital - Mental Health	2.7%
Ambulatory Surgical	3.3%
Dental Services	2.3%
Federal Qualified Health Centers	2.0%
Outpatient Hospital	3.3%
Pharmacy	8.3%
Physician Services	2.0%
Rural Health	2.0%
Crossovers	2.0%
Health Maintenance Organizations	2.0%
Buy-Out Insurance	2.0%
Medicare Buy-In	2.5%

The table on the following page details provider rate increases for the last 7 years for core Medicaid services.

### Historical Percentage Increases for Medicaid Provider Reimbursement

Provider Increases	Approp. FY 2002	Approp. FY 2003	Approp. FY 2004	Approp. FY 2005	Approp. FY 2006	Approp. FY 2007	Approp. FY 2008
Nursing Homes	4.6%	12.0%	0.0%	27.3%	1.0%	2.0%	14.5%
Inpatient Hospital	5.6%	3.2%	0.0%	1.6%	1.5%	2.0%	4.2%
Ambulatory Surgical	5.6%	6.0%	0.0%	0.0%	3.7%	2.0%	2.5%
Dental Services	2.0%	15.0%	0.0%	4.3%	4.8%	2.0%	27.5%
Federal Qualified Health Centers	0.0%	0.0%	0.0%	4.7%	4.2%	4.3%	4.2%
Home Health	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.2%
Outpatient Hospital	5.6%	6.3%	0.0%	0.0%	1.5%	2.0%	2.5%
Pharmacy	12.0%	12.0%	12.0%	11.0%	11.5%	10.5%	10.4%
Physical Therapy	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.2%
Physician Services	7.0%	3.0%	0.0%	0.0%	4.8%	2.0%	8.5%
Rural Health	0.0%	0.0%	0.0%	4.7%	4.2%	4.3%	4.2%
Speech and Audiology	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.2%
Crossovers	3.9%	4.6%	0.0%	4.7%	4.2%	4.3%	4.2%
Health Maintenance Organizations	6.0%	8.0%	0.0%	0.0%	3.0%	2.0%	2.5%
Buy-Out Insurance	3.9%	4.6%	0.0%	4.7%	4.2%	4.3%	4.2%
Medicare Buy-In	3.9%	4.6%	0.0%	4.7%	10.8%	12.0%	5.6%
Other Providers	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.2%